

TRENDS

Vitamins

Chains revitalize vitamin category by boosting private label

Some drug chains are attempting to chase away the vitamin category blabs with pepped up promotional and merchandising tactics for their private label lines.

A large West Coast chain, for example, recently moved all its private label vitamins/supplements from a position "off to the side" to the top shelf of its 21-foot vitamin display.

"Merchandising for profitability" is the way one of the chain's vitamin buyers characterized the new emphasis. "Private label is where most of the dollars are made in vitamins, so we're trying to make them a bigger factor."

The buyer added that margins in private label vitamins

Drug stores increase share of vitamin sales		
Outlet	1983 share of total category	1986 share of total category
Drug stores	31%	33%
Supermarkets/combo/discounters	17	21
Health food	29	23
Direct selling	14	15
Mail order	8	6
Other	1	2

Source: Council for Responsible Nutrition

run higher than the 30 percent margins on branded products.

Stephen Lund, assistant vp-merchandising and private

label buyer for Perry Drug Stores, found in a study he conducted about two years ago that the private label seg-

ment of vitamins accounted for more than 50 percent of the chain's total vitamin business, and "it continues to grow in spite of vitamins being a relatively flat category."

Perry subsequently repackaged its private label lines to achieve a more consistent look, brightening the packaging and giving a more uniform identity to vitamin "families."

The Michigan-based chain does three major private label vitamin promotions a year: in January, late spring/early summer, and at back-to-school time.

K&B highlights its private label products, which are placed alongside branded equivalents that point up sav-

ings to customers of up to 30 percent. According to buyer Irby Bourque, private label is the most profitable segment in the vitamin/supplement category, which as a whole has about a 7 percent annual growth rate.

Although private label margins are better, he cautions, "You have to be careful there: You may get 60 percent gross on a \$3 product rather than 20 percent on a \$10 profit, but you're still taking about the same amount to the bank. You have to maintain the same number of gross margin dollars as the national brands and still give customers savings."

For customers in the depressed oil economy of K&B's Gulf Coast markets, savings are a big factor in vitamin/supplement purchases, as in other categories. In response, the chain has stepped up its advertising of branded and private label products in the category in the past year or so.

Vitamins/supplements are represented in every ad, and the number of items included has been increased from two or three to a range of five to seven per circular. About once per quarter, K&B devotes a full-page ad to vitamins, including "two-fors" and "buy and saves." Private label items are advertised at least monthly. Advertising vitamins also helps the chain convey its health care image, Bourque added.

For the category as a whole, the best performers appear to be multiple vitamins and vitamins C and E.

Calcium supplements remain a strong segment, according to several buyers, in spite of reports raising questions about calcium's value in preventing osteoporosis, as well as recent attention accorded a survey of calcium supplements that challenged the effectiveness of more than half the products tested.

"Calcium supplements aren't on the growth curve they were two years ago, but it's still respectable," Lund said, adding that Perry did get some questions from customers about the Shangraw study.

Sales of branded calcium supplements had slowed down "toward the end of last year, even before the study came out," said a Northwest chain buyer. "People were beginning to figure out, 'Do I really want to pay more for this brand?' They're looking at what calcium they should be taking."

But buyers at K&B and a major Western chain discounted any adverse impact on sales from the osteoporosis or disintegration issues. "We haven't seen a decrease," said Bourque. "Price has become an issue, though. We are seeing less brand loyalty."

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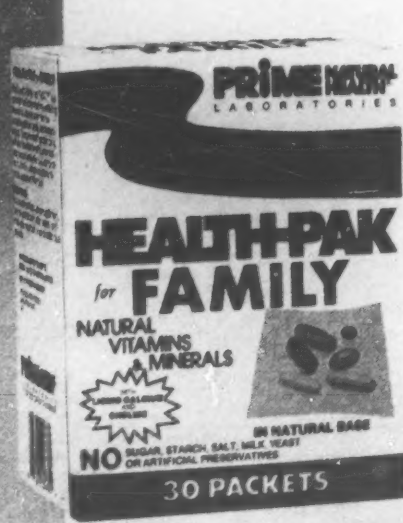
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High court decision a throwback

— Opinion, page 6

Chains batt light bulb s

— Trends

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bread ers

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DRUG STORE NEWS[®]

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- Top 100 Rx products IP31
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Walgreen taking Wag's off the menu

Division on block despite recent expansion efforts, total exit seen

By James Frederick
DEERFIELD, Ill. — Extending the back-to-basics trend sweeping the chain drug store industry, Walgreen Co. has put its 87 freestanding Wag's family restaurants on the selling block in order to concentrate on its core drug store operations. A spokes-

person indicated that this was the first step in Walgreen's exit from the food-service market.

Walgreens food service operations peak in 1985

	1983	1984	1985	1986	1987
Sales (in millions)	\$112.8	\$119.4	\$122.3	\$121.1	\$119.3
Number of restaurants*					
Separate	80	85	94	94	102
In-store	132	119	87	59	42

*At year-end

Source: Walgreen Co.

The restaurants, located in Illinois and Florida and open 24 hours a day, comprise less than 3 percent of Walgreen's

business.

Walgreen has contracted with Merrill Lynch Capital See Walgreen, page 71

Retailers wait and see after high court discounting ruling

By Susan Ball
NEW YORK — Drug chain executives and industry sources generally discount any major impact from the Supreme Court's recent ruling upholding a manufacturer's right to reach agreements with higher-priced retailers to stop supplying discounters. F&M president Frank A. Newman summed up the view of most drug veterans interviewed, noting that

Are drug chains left vulnerable to price fixing practices?

By Ken Rankin
WASHINGTON — Drug stores may find it difficult if not impossible to fend off anti-competitive resale price fixing conspiracies as a result of the U.S. Supreme Court's latest antitrust ruling. In that case, *Sharp vs. BEC*, the high court severely narrowed the definition of "resale price maintenance" in a way that will permit full-price retailers to openly See Supreme Court, page 71

News Analysis

Paul W. Cockerham provided research assistance for this story.

"manufacturers who have come to enjoy the volume generated by discount

stores of all types aren't going to do anything to give See Retailers, page 71

LATE NEWS

- WORTHINGTON, Ohio — Rich Landers, a former vp-merchandising with Gray Drug Fair, has been named vp-marketing at Drug Emporium. Landers, who was most recently with Boston Distributors, will report to Gary Wilber, executive vp.
- EL MONTE, Calif. — The Vons Cos. reported a loss of \$3.2 million for the first quarter ended March 27, compared with a net *pro forma* gain of \$1.1 million for the same quarter of 1987. Sales for the quarter were \$723.1 million, down 3.3 percent from \$748.1 million in last year's comparable period.
- DALLAS — Cullum Companies, owner of the Tom Thumb/Page stores, is preparing to launch a new combo format geared for ethnic consumers. The Rainbow store format—planned for debut this summer at a south Dallas site—will include a pharmacy and will tailor its grocery and drug store mix toward Hispanic and black shoppers.
- TORONTO — Boots Drug Stores has agreed to sell 11 of its 32 stores in British Columbia to Shoppers Drug Mart by mid-June, said Boots president John Cohen.

Buyers prep for Associated/Affiliated's spring show

NEW YORK — Drug chain executives were preparing at press time to view new offerings and buy for late '88-early '89 at the annual Associated/Affiliated Drug Stores Spring Buying Show May 15 to 18 here.

More than 80 large and small chains were scheduled to attend events that began Sunday in the Sheraton Centre.

Associated Drug Stores members will hear five speakers on Sunday. Dave Eisenberg, Peoples Drugs' senior executive vice president and chief operations officer, will start with a review of changes underway at the Alexandria, Va.-based drug chain.

Glamour magazine will pro- See Buyers, page 71

Longs Drugs
50TH ANNIVERSARY
WE WANT TO CELEBRATE WITH YOU!

Our 50th Anniversary Sweepstakes Event Lasts 4 Weeks

GRAND PRIZE:
1938 Buick

FIRST PRIZE:
1988 Pontiac Sunbird Convertible

Scotch Video Tapes T-120
Standard Grade EG High Grade EG+
\$349 \$449

Pepsi
Diet Pepsi, Caffeine Free
Pepsi, Caffeine Free Diet
Pepsi or Lemon Lime Slice
\$1.49

Aqua

The Longs 50th anniversary celebration this month has a unique style, and involves customers heavily with sweepstakes and special values.

Longs Drug Stores celebrates 50th anniversary with style

WALNUT CREEK, Calif. — Longs Drug Stores has a large-scale month-long advertising campaign under way to trumpet the chain's 50th anniversary celebration.

A number of drug chains have reached milestone anniversaries recently, but few have celebrated with the style of Longs.

A deliberately conservative approach in ads is meant to reach current customers and break ground with new ones. The campaign includes television and radio spots, circulars, in-store banners, balloons, posters and giveaways for both employees and customers.

Nostalgic graphics stress the See Longs, page 3

NEWS IN BRIEF

Fifth Price Chopper with Rx bows

SCHENECTADY, N. Y. — Price Chopper Supermarkets, which operates 75 supermarket and convenience stores in the Northeast, opened its fifth supermarket with pharmacy April 27 in Newburgh, N. Y. Price Chopper is owned by Golub Corp.

Marketplace show coming in June

ORLANDO, Fla. — NACDS will hold its second annual Marketplace Conference June 19-22 at Marriott's Orlando World Center here.

The conference, which was developed by merging the association's cosmetic-fragrance marketing and merchandising conferences, is designed to bring together chain buyers and supplier executives in order to improve working relationships.

Kendall named F&M operations vp, cfo

WARREN, Mich. — F&M Distributors has appointed Laura C. Kendall as vp-central operations and cfo.

Kendall was formerly with Perry Drug Stores as vp-finance since 1986. Prior to that, she was a senior manager at Arthur Andersen & Co. for 11 years.

A graduate of Western Michigan University, Kendall will be responsible for finance and accounting, data processing, warehousing and distribution.



L. Kendall

American Stores makes a move to Calif.

IRVINE, Calif. — American Stores Co. announced it will move four of its 464 employees from its main headquarters in Salt Lake City to a building here July 1 and call this its new headquarters facility.

The firm rationalizes the move by saying it wants to be closer to one of its major markets.

The four will be in the same building that houses the company's Skaggs Alpha Beta division headquarters, which has been located here since last year, according to Michael Holt, vice president of investor and government relations.

Holt said the remaining 460 employees in Salt Lake will operate as the branch office support staff for American Stores.

In addition to operating Skaggs Alpha Beta stores in Southern California, American Stores' Osco drug store division also has a strong presence in the area.

Neuman headquarters goes state-of-art

PATERSON, N. J. — Neuman Wholesale Drug Co. plans to move to a new administrative and warehouse facility in Ridgefield, N. J., by mid-summer.

Designed by Jack Frost Associates of California, the 105,000-square-foot building will double Neuman's space and incorporate a state-of-the-art computer system for order processing, among other efficiency features.

"The new home warehouse will allow us to more than double our current output comfortably," said president Sam Toscano.

Austin to refine cosmetics into specialty boutiques

EAST MEADOW, N. Y. — Austin Drugs, a high-volume nine-unit chain of upscale drug stores in upper class Nassau and Suffolk county neighborhoods, is planning to refine its cosmetics departments.

The chain is currently analyzing its cosmetics departments, which already account for 15 percent of total sales, to determine how much more can be done to transform them into mini-cosmetics specialty boutiques.

By October, in time for the Christmas selling season, Austin will complete the revamp of a new cosmetics prototype in its flagship Huntington store. That store will be given new lighting, new decor, new fixtures and a more expanded assortment of prestige cosmetics and fragrances.

Seeks 'inviting' environment

Gary Spielfogel, Austin president, says he wants to create "the kind of environment that invites the customer into the department as a separate part of the store. Austins are typically 10,000 to 11,000 square feet, and cosmetics commands close to 20 percent of that in some lay-

Merchandising Spotlight

outs.

"We want to give that department a look that will let it remain distinct and apart from

that will enhance our image as a specialized cosmetic merchant," Spielfogel says.

Big on prestige lines

Austin is currently one of the few drug chains authorized to carry an everyday assortment of major department



Austin will remake cosmetics in 1988 to help retain its upscale image.

the rest of the store. We have an upscale image now, but we want to refine it . . . restate it.

"We want to look at our mix to be sure we have the items that can justify their home in the department, and we want to consider adding more lines

store prestige brands. Currently about one third of its mix is prestige brands, and the rest is franchised.

If Austin evolves cosmetics into more of a specialty boutique presentation, that could

Continued on page 71

DrSN advisory board gains two

NEW YORK — Ron Schiff, president and chief operations officer of Pay Less NW, and David Schwartz, president and chief operations officer, Perry Drug Stores, have joined *Drug Store News'* Board of Advisors.

The drug chain executives will join 10 other top drug industry officials on the board, which helps *Drug Store News'* management and editorial staff identify and report on key issues facing the industry.

Schiff, 49, has been with Pay Less NW for 28 years, since joining the Oregon-based drug chain in 1960.

He has held posts of increasing responsibility, and has been an instrumental force in building the 260-drug store chain, which is now a division of K mart.

Schiff was named vp-merchandising in 1972,

senior vp-operations in 1980, and president in March 1986.



D. Schwartz



R. Schiff

Schwartz, 41, joined Perry in May 1987 as part of a broad restructuring at the Michigan company. Schwartz assumed day-to-day responsibility over all Perry retail operations, including 450 drug stores and the since-divested auto parts stores. He has also worked to strengthen the management team and formalize annual planning.

The young manager began his retail career at Skaggs Drug Stores in the mid-1960s. He was instrumental in introducing the Albertson's combo format into Florida, in a Skaggs/Albertson's partnership, and went on to hold top posts with Albertson's.

He joined Kroger in 1985, where he was vp-drug and general manager before joining Perry.

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Sixty years of drug store retailing



Columbia Pictures' 1955 film "My Sister Eileen", starring Janet Leigh and Bob Fosse, used a reproduction of the The Walgreens' fountain located at 1501 Broadway, New York City, for filming in Hollywood.

TRENDS



The deep discount approach to lighting is evident at Price Less, Sacramento, Calif., where multipacks and popular single bulbs dominate displays.

Drug chains are battling to keep bulb sales bright

The \$2.8 billion U.S. market for light bulbs continues to reap the benefit of massive promotional efforts by manufacturers and retailers, but sales increases are brightest for discount stores, supermarkets and home centers rather than for drug chains.

Drug stores continue to do a respectable job with the bulb category, carving out 8.9 percent of total sales last year. That figure, however, represents a slight downturn from the previous year's 9.1 percent share.

Moreover, drug retailers are promoting harder than ever to maintain sales in the home lighting category against their larger-scale, full-line competitors, especially discount stores. In a category that has become increasingly competitive and price-sensitive, with everyday low prices and constant promotional activity now the norm, mass merchandise outlets are advancing steadily in market share.

Thus, drug retailers are faced with a tough choice: to sacrifice gross margins with heavy promotional activity and price-cutting in order to stay competitive, or to risk losing market share while maintaining good margins in the category, relying instead on aggressive merchandising and marketing to maintain sales. Both approaches are being taken.

"Lights are a very competitive area, especially the conventional bulbs, and margins are definitely diminishing," said Kim Milburn, sundries buyer for Canada's Big V Pharmacies Co. in Ontario. "On a promotional basis, we're just about selling bulbs at cost, and that seems to be where the market is

going. You're paying to draw the traffic with your bulb sections by sacrificing your margins, unless you're careful."

"We just can't match the discounters on price in bulbs, so we don't try," added one buyer for a major drug chain in the South. "Our prices on bulbs are higher than the discounters, but lower than the other drug chains in our market, and we promote them almost constantly."

"You can do a certain base level in sales without promoting, but with all the competition this category has, you have to advertise and promote pretty heavily to really do well."

Nevertheless, he says, bulbs can be a profitable section. "You can make some money in it if you can maintain your price levels to some extent. It's still primarily an impulse business, and if you can put the bulbs where your customers will see them, you can sell at a decent margin."

"On ad, we make almost nothing in profits on bulbs, but on an everyday basis at regular prices they give us decent margins—around 40 percent, agreed Paul Loughren, sundries buyer for Bartell Drug in Seattle. "That's actually better than a lot of categories do."

Like many drug chains, Bartell has chosen to maintain its margins in the bulb category rather than go up directly against mass merchandisers with steep price cuts. The chain advertises bulbs only about once a quarter, Loughren said, rather than sacrifice profitability.

"Light bulbs are still a pretty stable

Continued on page 26

A DrSN exclusive: Vereen ad tracking

The Ad Survey tracks 100 percent of the ad activity of 40 H&BA/OTC categories for the top 30 drug chains.

Drug chains emphasize 4-pack bulbs in circulars

Lightbulb SKUs advertised by major chains in February and March

FEBRUARY			
4-packs			
Brand	Model	Advertised price	Chain
Philips Longer Life	4pk/60-75-100 wt	\$1.99	Phar-Mor
GE Miser Energy Saver	4pk/55-70-95 wt	1.88	Rea & Derick
GE Miser Energy Saver	4pk/55-70-95 wt	2.29	Peoples
GE Soft White	4pk	1.89	Hooks
GE Soft White	4pk/60-75-100 wt	1.79	Longs
GE Standard	4pk/60-75-100 wt	1.49	Eckerd
GE Standard	4pk/60-75-100 wt	1.49	Peoples
GE Soft White	4pk/60-75-100 wt	1.99	Thrifty
Sylvania Soft White	4pk/60-75-100 wt	1.69	Longs
Philips Longer Life	4pk	2/\$5.00	SuperD
GE Soft White	4pk	1.99	Fay's
GE Soft White	4pk	1.99	Oscos
Philips Longer Life	4pk/40-60-75-100 wt	1.89	SuperRx
GE Miser	4pk/55-70-95 wt	2.49	Eckerd
3 Way			
GE 3 Way		1.29	Med X
GE Soft White		1.59	Longs
Philips	50-100-150 or 30-70-100 wt		
GE 3 Way	30-70-100	1.49	SuperRx
GE 3 Way	50-100-150	1.29	Dart Drug
GE Soft White 3 Way	50-100-150	1.29	Dart Drug
GE 3 Way	30-70-100 or 50-100-150	3.99	Oscos
GE Soft White 3 Way	30-70-100 or 50-100-150	1.58	Thrifty
GE 3 Way	50-100-150 or 50-135-185 wt	1.29	Fay's
		1.89	Eckerd
Other			
GE Decorative	2pk	1.89	Hooks
GE Soft White	250-170 wt	1.79	Dart Drug
Rite Aid Standard/Soft White	40,60,75,100 wt	2/\$.69	Rite Aid
GE Soft White	12 ct	4.99	Walgreens
GE Standard	60,75,100	0.99	Walgreens
MARCH			
4 packs			
GE Soft White	4pk	4/\$1.99	CVS
GE	4pk	1.49	Rea & Derick
GE Soft White	4pk	3/\$5.99	SuperRx
Sylvania Soft White	4pk	3.00	Drug Emporium
GE Soft White	4pk	5.99	Oscos
GE Soft White	4pk	2pk/\$3.99	Drug Mart
GE Soft White	4pk	1.99	Med X
GE Soft White	4pk/40-60-75-100 wt	1.87	Revco
GE Soft White/Reader	4pk-100 w/3 way	1.79	Eckerd
GE Standard	4pk	1.69	Snyder
Hook's Soft White	4pk	1.39	Hooks
N/L	4pk	1.39	Longs
Philips Longer Life	4pk	1.99	Phar-Mor
Sylvania	4pk	1.95	SuperRx
GE Soft White	4pk	1.99	Fay's
GE Soft White	4pk/40-60-75-100 wt	1.87	Revco
GE Standard	4pk	1.49	Eckerd
GE Soft White	4pk	1.99	Brooks
GE Soft White	4pk	2.19	Rea & Derick
GE Miser	4pk	1.77	Oscos
GE Soft White	4pk	1.88	Oscos
GE Soft White	4pk	2.00	Walgreens
GE Soft White	4pk	2.49	Thrift
Philips Longer Life	4pk	1.94	SuperRx
3 Way			
GE Soft White	3 way	2/3.00	Snyder
GE Soft White	3 way	1.27	Revco
GE Miser	3 way	1.29	Oscos
GE	3 way	1.19	Walgreens
Sylvania	3 way	2.54	Drug Emporium
Philips Longer Life	3 way	2.79	Begley
GE	3 way	1.19	Walgreens
Other			
Garrity Life Lite		13.00	Pay Less
Black & Decker	UFL100	9.00	Walgreens
GE Long Life	2pk	2.19	Eckerd
GE Soft White	12pk	5.99	Eckerd

Source: Vereen & Associates, Inc.

Consumers are willing to pay more for longer-life bulbs

Bulb category	Average retail price per bulb	
	1987	1988
Longer life	\$1.01	\$1.04
Soft white	0.84	0.83
Econo/Miser	0.90	0.87
Inside frost	0.64	0.61
Private label/generic	0.49	0.45

Source: A.C. Nielsen